

## SHINING A LIGHT ON THE..... Neptune US Income Fund

### AT A GLANCE

Investment Objective	
<p>The investment objective of the Neptune US Income Fund is to generate rising levels of income with the potential of capital growth. It invests predominantly in a portfolio of North American securities, which may include Canada and / or the USA, or overseas companies that derive a significant proportion of their profits or turnover from the USA and/or Canada, with a view to attaining consistent top quartile performance within the appropriate peer group. Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments. It is anticipated that derivatives instruments and forward transactions may be used by the ACD for efficient portfolio management.</p>	

<b>Inception Date</b>	30/09/2010
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000PW4H">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000PW4H</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
George Boyd-Bowman	27 September 2016

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	37.73%
Large	30.72%
Medium	25.75%
Small	4.96%
Micro	0.84%

Top 10 Holdings		
<b>Total number of holdings</b>	57	
<b>Assets in Top 10 Holdings</b>	24.14%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
Microsoft Corp	Technology	3.20%
Apple Inc	Technology	2.76%
AbbVie Inc	Healthcare	2.47%
Bristol-Myers Squibb Company	Healthcare	2.31%
American Tower Corp	Communication Services	2.29%
Marsh & McLennan Companies Inc	Financial Services	2.25%
Fifth Third Bancorp	Financial Services	2.25%
Rockwell Automation Inc	Industrials	2.21%
Automatic Data Processing Inc	Industrials	2.20%
Broadridge Financial Solutions Inc	Industrials	2.19%

Volatility Measurements	
<b>3-Yr Std Dev (volatility)</b>	13.08%
<b>3-Yr Mean Return (average)</b>	17.47%

## FUND PERFORMANCE

Performance from 1 January 2012 to 30 September 2017:

	2012	2013	2014	2015	2016	2017
<b>Neptune US Income Fund</b>	12.25%	25.18%	18.73%	7.68%	33.44%	2.47%
<b>iShares MSCI North America ETF</b>	12.28%	27.12%	18.81%	2.17%	32.23%	2.40%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
<b>Neptune US Income Fund</b>	25.34%	58.82%	113.59%	165.41%
<b>iShares MSCI North America ETF</b>	21.63%	49.86%	102.78%	144.55%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

Much of the discussion with the fund manager was around the macro picture, but before we look at that it is worth considering the performance. Although the fund has outperformed over 1, 3 and 5 years and since launch, if you focus on the yearly figures the fund closely tracks the index and since the new manager has come on board it has underperformed the index. This is a challenge with US funds where very few consistently outperform the index; where they do sometimes it is very narrow, which begs the question as to whether it is worth the extra cost.

With this in mind, does it make this a fund to consider or not? George Boyd-Bowman would argue that now is the perfect time to invest in this fund. There are a number of factors which are making US dividends an attractive part of investing, and dividends make up an integral part of the overall returns. The two key factors are that there is regulatory backing to pay higher dividends especially with banks, and secondly tax changes will see money coming back into the US which will provide a spike in dividend payments.

The fund is positioned to benefit from this through a change in strategy to focus on dividend growers, which has brought down the yield in the short term, but longer term will benefit the fund. It also has a focus on technology but not necessarily in the way we would assume. Different industries benefit from technology; whether it's financials or digital media but also physical industries, which are introducing technology to improve productivity.

The second area of focus is businesses benefiting from millennials; individuals who still live at home but are increasing consumption which will benefit a raft of different companies.

Although I understand the strategy, the performance is also important and taking the year by year performance it doesn't do any more than track the index. There is only one year where it outperforms. The manager is new and under his tenure it has underperformed. The 'unknown' is that he has implemented a new strategy and believes the fund is positioned for changes to the US economy. If he is correct, then the fund could perform strongly but are there other funds in a similar position? When considering this it is worth noting this fund has a high number of holdings (57) and really no conviction in its top ten.

*The source of information in this note has been provided by Neptune and is correct as at September 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*